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RR RUEHAST RUEHDBU RUEHFL RUEHLA RUEHMRE RUEHPOD RUEHROV RUEHSR
DE RUEHSK #0412/01 1380803
ZNR UUUUU ZZH
R 180803Z MAY 07
FM AMEMBASSY MINSK
TO RUEHC/SECSTATE WASHDC 6031
INFO RUCNOSC/ORGANIZATION FOR SECURITY COOPERATION IN EUROPE
RHMFISS/HQ USEUCOM VAIHINGEN GE
RUFOADA/JAC MOLESWORTH RAF MOLESWORTH UK

UNCLAS SECTION 01 OF 03 MINSK 000412

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E.O. 12958: N/A

TAGS: [PGOV](#) [PREL](#) [PHUM](#) [ECON](#) [EPET](#) [ENRG](#) [BO](#)

SUBJECT: EMBASSY MINSK WEEKLY POL/ECON REPORT - MAY 18, 2007

11. The following are brief items of interest compiled by Embassy Minsk.

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CIVIL SOCIETY

12. Opposition Activists Protest Children's Benefits Cut

On May 16, chapters of the opposition Belarusian Social Democratic Party "Gramada" (BSDP) and the Belarusian Party of Communists in Gomel and Brest announced their applications to city authorities to stage rallies on June 1 to protest the GOB's plans to abolish certain children's benefits. Brest BSDP Head Igor Maslovskiy described the demonstrations as part of a broader protest campaign. Maslovskiy also noted that BSDP activist Georgiy Rutskiy has embarked on a bicycle tour across the Brest region to attract public attention to the GOB plans.

13. Opposition Calls for Solidarity with Indicted Youth

On May 15, a group of prominent Belarusian opposition politicians and intellectuals issued a statement calling upon the public to come to a Minsk courthouse on May 30 to demonstrate solidarity with five Malady Front leaders who face up to two years in prison for running their unregistered pro-democracy youth organization. Among the opposition leaders who signed the statement were de facto opposition

coalition leader Aleksandr Milinkevich, former Head of State Stanislav Shushkevich, Belarusian Popular Front Chair Vintsuk Vyachorka, United Civic Party Chair Anatoliy Lebedko, Belarusian Party of Communists Chair Sergey Kalyakin, and Belarusian Social Democratic Party "Gramada" Acting Chair Anatoliy Levkovich.

14. Opposition Seeks Legal Action against Pro-GOB Rally

On May 15, opposition activist Sergey Semyonov petitioned the Prosecutor's Office in Gomel to punish City Executive Committee officials for allowing pro-government Belarusian Republican Youth Union (BRYU) activists to stage a May 7 rally near a local school. According to Semyonov, the authorities had no right to permit the protest because the square in front of a deaf people society's headquarters is the only venue in the city where demonstrations are allowed. Semyonov explained that pro-democratic activists were denied permission to hold mass events during the Chernobyl anniversary even at the officially designated venue. He observed, "BRYU activists stage their rallies at any place they like. I want laws to be observed in our country and the city executive committee to abide by its own decisions." The BRYU rally protested the relocation of a Red Army memorial in Estonia.

INTERNATIONAL RELATIONS

15. Vietnam's Public Security Ministry Visits Belarus

On May 12-18, a delegation from Vietnam's Ministry of Public Security visited Minsk to sign a cooperation protocol between Belarus' Interior Ministry Academy and the Vietnamese People's Police Academy and discuss the details of a visit to Minsk by Vietnamese Public Security Minister Le Hong Anh later this year. During the visit, the Vietnamese delegation reportedly expressed

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interest in possible purchases of law-enforcement products made in Belarus. Belarusian Interior Minister Vladimir Naumov visited Vietnam in January.

16. GOB Seeks Extension of Trans-European Corridor to Minsk

On May 12, independent media reported an appeal by Belarus' Ministry of Transportation to the UN Economic Commission for Europe (UNECE) to support Belarus' proposal to extend one of the 10 pan-European transport corridors, Corridor V, to Minsk. The extension of the corridor, which currently runs from Lisbon to Kyiv, would facilitate the transportation of goods and passengers from the Russian Federation to Slovakia, Hungary, Western Ukraine and the Balkans and the integration of three other corridors into a single transport network. The GOB reportedly delivered the appeal at the 60th session of the UNECE in Geneva in late April. During the session, Belarusian Transport Minister Vladimir Sosnovskiy discussed EU visa restrictions on Belarusian drivers with the International Road Transport Union. The GOB has criticized such restrictions as anti-competitive.

INTERNATIONAL TRADE AND INVESTMENT

17. Belarus Lags Far Behind GOB Foreign Trade Targets

On May 11, President Lukashenko criticized his cabinet for a USD 547 million foreign trade deficit in January-March instead of a planned USD 500-600 million surplus. Belarus' exports in the first quarter grew 7.5 percent versus a planned 13-14 percent and imports grew 20 percent versus the projected 8-9 percent. Deputy Prime Minister Sidorskiy said Belarus would produce more household appliances, pharmaceuticals, and detergents that account for a large portion of Belarus' imports. Last year Belarus produced USD 664 million worth of such products.

18. GOB Official Calls for Import Duty on Canned Food

On May 15, Belarusian State Food Industry Concern (Belpishcheprom) Anatoliy Filonov proposed imposing a seasonal import duty on canned

fruit and vegetables as a protectionist measure. Expressing dissatisfaction with the ongoing modernization of Belarus' canneries, Filonov noted that imported products accounted for more than half of all canned fruit and vegetables consumed in Belarus and that Belarusian canneries' inventories currently amount to 400 percent of their overall monthly output. According to Belpishcheprom, 59 Belarusian canning companies produced more than 47 million cans of food January through March, a 4.5-percent output increase compared with the same period of the previous year. The industry reported an average profitability rate of three percent in the first quarter, with 17 canneries posting net losses.

DOMESTIC ECONOMY

19. Consumer Prices Up 2.8 Percent

According to Belarus' Statistics Ministry, the consumer price index (CPI) was up 2.8 percent in January-April 2007, versus a 2.5 percent increase in the same months in 2006. April's CPI was down 0.2 percent, primarily due to a 2.2 percent decrease in prices on consumer services from March. Belarus' government expects CPI to grow 6-8 percent in 2007. The numbers were 6.6 percent in 2006 and 8 percent in 2006. Independent observers claim CPI calculations in Belarus are not fair, since they reflect price dynamics of only a very limited number of goods.

110. Crude Oil Refining Down 4.3 Percent

According to Belarus' Statistics Ministry, crude oil processing at Belarus' two oil refineries during January-April declined 4.3 percent on the year to 6.9 million tons. Belarus plans to process 21.5 million tons in 2007.

111. Industrial Output Up 13.1 Percent

On May 16, First Deputy Industry Minister Ivan Dzemidovich reported that Belarus' industrial output in the first four months of 2007 increased by 13.1 percent year-on-year while the export of industrial products rose by 38 percent. According to Dzemidovich, fixed capital expenditures of enterprises under the control of the Industry Ministry totaled USD 163.2 million from January to May, which was almost two times more than in the same period of 2006.

112. Automobile Fuel Prices Jump Five Percent

On May 14, the GOB-owned oil and chemical products company Belneftekhim introduced a five-percent increase in the price of automobile fuel, the second price hike this year. In both instances, Belneftekhim attributed the rise to higher export duties on crude oil introduced by Russia early this year. The price of

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95-octane gasoline edged up from USD 3.70 to USD 3.88 per gallon.

QUOTE OF THE WEEK

113. On May 15, Ruslan Primak, the deputy director of the Vitsba-3 prison, offered this boast regarding his most famous inmate, former opposition presidential candidate Aleksandr Kozulin (who is serving five and a half years on politically motivated charges of hooliganism):

"Over the past two months Kozulin had no violations of correctional facility regulations. The prisoner's adaptation period is complete."

MOORE